GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:6129
ANSWERED ON:27.04.2001
LOSSES TO BANK OF INDIA FOR DISCOUNTING PAY ORDERS
PRABHUNATH SINGH

Will the Minister of FINANCE be pleased to state:

(a) whether Bank of India has suffered a loss of Rs.120 crore for discounting pay orders of Madhavpura Cooperative Bank;

(b) if so, whether any arrest and suspension have taken place of the fraudesters and delinquent bank officials;

(c) if not, the reasons therefor;

(d) whether there is any proposal to get the matter investigated thoroughly and to plug all loopholes and to make the departmental rules more stringent for delinquent and corrupt officials; and

(e) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a):-The Bank of India has reported that its exposure on account of purchase/ discounting of Pay Orders issued by Madhavpura Mercantile Co-op. Bank Ltd. and tendered by Ketan Parikh group of companies which were returned unpaid in clearing is to the tune of Rs.130 crore.

(b) & (c):- Bank of India has lodged FIR with CBI. The bank has reported that Shri Ketan Parekh and some officials of Madhavpura Mercantile Co-op. Bank Ltd. have been arrested. The AGM and Deputy Manager of the Stock Exchange Branch of Bank of India have been placed under suspension.

(d) & (e):- Yes Sir. The bank has carried out a preliminary investigation, based on which a complaint was lodged with CBI. The bank is also undertaking detailed investigation and taken certain initiatives to mitigate the risk arising out of discounting pay orders. Instructions have been given to the branches not to discount Pay Orders of Co-op. banks and the authority given to the Branch Managers for discounting of Pay Orders issued by other banks have been reduced.